



JOHN ELIAS BALDACCI
GOVERNOR

STATE OF MAINE
MAINE REVENUE SERVICES
24 STATE HOUSE STATION
AUGUSTA, MAINE
04333-0024

ADMINISTRATIVE & FINANCIAL SERVICES

REBECCA M. WYKE
COMMISSIONER

JEROME D. GERARD
ACTING EXECUTIVE DIRECTOR

Date Issued: June 10, 2004

IMPORTANT INFORMATION LAW CHANGE EFFECTIVE JULY 1, 2004 SERVICE PROVIDER TAX

If your business is engaged in selling any of the following services, please pay particular attention to this notice. It explains a major tax law change affecting your business.

- Extended cable television service
- Fabrication services
- Rental of videotapes and video equipment
- Rental of furniture and audio equipment pursuant to a "rent-to-own" contract
- Telecommunications service (except sales of pre-paid phone cards)
- Installation, maintenance and repair of telecommunications equipment
- Private non-medical institution services

The Maine Legislature has recently enacted legislation that repeals the sales tax on certain kinds of services and replaces it with a new Service Provider Tax. The new law imposes a 5% service provider tax, effective July 1, 2004, on the value of the above mentioned services provided in this State. All of the services taxed under the new law, except private non-medical institution services, are currently subject to the 5% Maine sales tax. Thus on July 1 the tax on these services will change from a sales tax to a service provider tax. This change should be transparent to purchasers of these services, who will simply pay a 5% service provider tax **instead** of a 5% sales tax. Providers of the services taxed under the new law that are subject to sales tax under current law will, however, experience some changes in the way the tax is administered.

Registration

Like the sales tax law, the service provider tax law includes a registration requirement. Attached to this notice is a supplemental application for registration. ***Any provider selling any of the above mentioned services must re-register for the service provider tax.*** These applications must be returned no later than **July 9, 2004**.

The new service provider tax is also imposed on private non-medical institution services. "Private non-medical institution services" ("PNMI") means services, including food, shelter and treatment, that are provided to residents by a private non-medical institution licensed as such by the Department of Human Services or the Department of Behavioral and Developmental Services. Since these services are not subject to sales tax under current law, providers of private non-medical institution services will be required to submit a complete application for registration as a service provider under the service provider tax law. If you have been identified by MRS as a PNMI, you will find Section 1 from our registration booklet included in this mailing. Please complete this page in addition to the supplemental sheet mentioned above.

Application of the tax

The major change in this legislation is that the tax is imposed on the provider not the consumer. However, the provider can pass this tax along to the consumer if they wish. If a provider includes this tax on a customer's bill, it must be shown as a separate line item and identified as a "service provider tax".

Returns

Beginning with the July 2004 reporting period, registered service providers will be required to file service provider tax returns. Service provider tax return forms will be mailed to all registered service providers in late July and each reporting period thereafter. The return is due no later than the 15th of the month following the end of the reporting period. Businesses that make both sales of services subject to the service provider tax and retail sales subject to sales tax will be required to file both returns.

Billings during the month

Ordinarily the invoice date governs the sale date. Sales occurring before July 1st will be subject to the 5% **sales tax**, whereas sales occurring on or after July 1st will be subject to the 5% **service provider tax**. Sales of any of the above mentioned services will be subject to the 5% service provider tax if **billed** on or after July 1st, or in the case of rentals, if the rental is **entered into** on or after July 1st.

Exemptions

The same exemptions that existed in the sales tax law have been included in the service provider tax law.

Sales Price

The definition of sale price has likewise remained unchanged. The value to which the tax applies is the total amount paid by the customer for the services provided and excludes any retailer discounts, allowances pursuant to warranty, full refunds and the service provider tax itself.

Quick Answers

- Q. When does the new service provider tax take effect?
- A. The law change is effective July 1, 2004. As a result, the first return affected is the July return which is due on August 15, 2004.
- Q. Will there be both a 5% sales tax and a 5% service provider tax on these services?
- A. No.
- Q. If I currently have a sales tax registration, will I have to re-apply for this tax?
- A. Yes, if you sell any of the services mentioned in this notice. An application form is attached and must be submitted by July 9, 2004.
- Q. Will we be required to file two returns?
- A. Yes, if you sell tangible personal property or taxable services subject to sales tax and sell any of the mentioned services in this notice.

Quick Answers

- Q. If we sell any of these services, are all our sales subject to the 5% service provider tax?
- A. No. Only the services mentioned are subject to the 5% service provider tax. All other sales that are currently subject to a 5% sales tax, continue as a sales tax.
- Q. There appears to be no difference between the service provider tax and the current sales tax, so what has changed?
- A. The major change is that the service provider tax is a tax imposed on the **retailer** rather than the consumer.
- Q. Can the service provider tax be passed on to our customers?
- A. Yes, but you must identify this tax as a "service provider tax" **not** a sales tax.

A more detailed bulletin is being developed for service providers and will be provided in July to all who register for this tax. Additionally, this bulletin will be available on our website as soon as it is finalized.

For more information about these changes you can visit our website at <http://www.maine.gov/revenue> or talk to one of our customer service representatives at (207) 624-9693. Or, you can write to us at Maine Revenue Services, PO Box 1065, Augusta, Maine 04332-1065.



JOHN ELIAS BALDACCI
GOVERNOR

STATE OF MAINE
MAINE REVENUE SERVICES
24 STATE HOUSE STATION
AUGUSTA, MAINE
04333-0024

ADMINISTRATIVE & FINANCIAL SERVICES

REBECCA M. WYKE
COMMISSIONER

JEROME D. GERARD
ACTING EXECUTIVE DIRECTOR

APPLICATION FOR REGISTRATION SERVICE PROVIDER TAX

1. Business Legal Name _____

2. Business Trade Name _____

3a. Business Location (Each location must be separately registered. If more than one location, attach a list.)

Street Address City

3b. If more than one location, do you wish to file a consolidated return? ☐ Yes

4. Ownership Type: ☐ Sole Proprietor SSN _____
☐ Corporation or Partnership EIN _____

5. If registered for sales tax, sales tax number(s) _____

6. Services sold: ☐ VHS/DVD/Video Game Rentals
☐ Fabrication Services
☐ Rent-to-Own
☐ Extended Cable TV
☐ Telecommunications services (including installation, maintenance and repair of telecommunications equipment)
☐ Private Non-Medical Institution services (If this service is checked, also complete Section 1 from our registration booklet.)

7. Estimated tax liability: If you are registered for sales tax and wish to have the same filing frequency as your sales tax account, check here ☐. Otherwise choose the frequency below that best matches your average tax liability for this tax.

Filing Frequency

- ☐ Monthly
☐ Quarterly
☐ Semi-Annual
☐ Annual

Tax Liability of:

\$600 or more per month
\$100.00 - \$599.99 per month
more than \$49.99 per year, but less than \$99.99 per month
less than \$50 per year

Signature

Title

Phone

Date